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American Banker

The Daily Financial Services N

150222000015 2/ 5/07 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
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BETHESDA MD 20814

VOL. CLIII NO. 157 Friday, August 12, 1988 ear

Today

CHICAGO: FINANCIAL CENTER

Continental Illinois' transfer of retail accounts to rival First Chicago is under way with little fanfare, but nearby financial institutions are campaigning to lure disgruntled customers. ____ 8

The proposed merger of black-owned Indecorp with white-owned Drexel Holding Co. will create the largest black-owned bank holding company in the country. ____ 9

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Foreign banks in New York have roughly doubled performance-linked bonuses but they lag behind U.S. banks in long-term incentives. ____ 2

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THRIFTS & MORTGAGES

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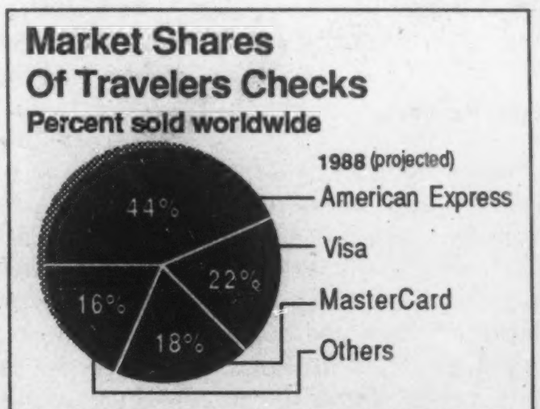
Depository institutions are moving into the ranks of the top mortgage originators, writes Stuart A. Feldstein in the Thrift Observer. ____ 4

Worth Repeating

After all, the U.S. taxpayer is really on the hook here whether we want to admit it or not. I think at a minimum we owe the public accurate information.

Sen. Donald W. Riegle Jr., D-Mich., calling for an independent assessment of the size of FSLIC losses. [Page 1]



Travelers Checks Are Battleground For War of Words

By JEFFREY KUTLER

NEW YORK — American Express Co. has launched a campaign to refute assertions by Visa International that its member banks are cutting into American Express' dominant share of the travelers check business.

The claims and counterclaims portend a resurgence of the travelers check marketing war, which has gone through several phases since the early 1980s. Bankers have been sniping at American Express throughout, with moderate success.

Although the New York-based financial services conglomerate may have lost a few points off its market share, which was once above 50%, no one challenger has come close enough to give it a real scare. Visa wants to put itself in that position.

Visa said earlier this week that its global travelers check sales increased 22% during the first half of 1988, almost three times the 8% rate for the American Express product.

Visa also predicted that by next year it will be selling more travelers checks

American Express: Page 14 ➤➤

Internal Memo Reveals How FDIC Chose NCNB

By BARBARA A. REHM
Washington Bureau

WASHINGTON — An internal Federal Deposit Insurance Corp. analysis of five takeover bids for First Republic-Bank Corp. shows that Wells Fargo & Co. offered to pump $1 billion into the capital-starved banking firm — five times more than was pledged by the ultimate acquirer, NCNB Corp.

But the analysis concluded that the Wells offer probably would have ended up costing the agency significantly more than NCNB's proposal to recapitalize the insolvent Dallas-based bank holding company.

Under the Wells offer, the FDIC expected to pay $2.5 billion to $3.5 billion, while its cost under the NCNB plan was estimated at $1.4 billion to $2.6 billion.

The FDIC is required by law to select the least costly option when it props up an insured bank. The agency is often criticized for not explaining how it concludes which offer is the least costly.

The details of the bids were contained in an analysis prepared by Dillon, Read & Co., the FDIC's invest-

How Bids Were Evaluated — Page 12

FDIC Memo: Page 12 ➤➤

Riegle Asks FDIC 'Fix' on S&L Mess

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Tired of the wildly divergent estimates on "the FSLIC problem," Sen. Donald Riegle said on Thursday that Federal Deposit Insurance Corp. liquidators should pinpoint how much it will cost to close or merge the hundreds of insolvent thrifts insured by the Federal Savings and Loan Insurance Corp.

Estimates of the cost of bailing out the FSLIC range from a low of $30 billion to as much as $100 billion. While there is general agreement that something has to be done to shore up the FSLIC, there is little agreement on how or when to do it.

Latest figures indicate that insolvent thrifts are losing close to $1 billion a month.

At a hearing of the Senate Banking Committee, which Mr. Riegle is expected to chair in the next session of Congress, the Michigan Democrat asked FDIC Chairman L. William Seidman how large he thought FSLIC losses might be.

"I don't know what the losses are in the S&L industry," Mr. Seidman said. "I don't know how anybody can, until you send people in to the 500 and some insolvent institutions and make an estimate."

Mr. Riegle agreed, saying the FDIC should deliver an "independent fix on the size of this problem."

"It seems to me that an arm's-length assessment done over a short period of time — so we know precisely where we are — is the thing to do," he said.

Riegle: Page 15 ➤➤

This year, the
"Checkless Society"
will write
2.5 billion more
checks than
last year.
Only Unisys offers the widest range of document processing hardware and software in the business. So whatever your volume, you'll get the cost-effective solution you need with Unisys.
BETTER INFORMATION.
BETTER DECISIONS.
UNISYS
The power of 2

August 12, 1988, American Banker

Crime Doesn't Pay – Except Where Certain Bankers Are Concerned

By IRVINE SPRAGUE

WASHINGTON

QUICK now. Name 20 bank chairmen or presidents who went to jail in the past 20 years. I'm talking about top managers who defrauded the stockholders and customers who had trusted them with their money — not tellers or bookkeepers or bank robbers.

The question is unfair. There aren't 20. At least I could not come up with that many after consulting my memories, augmented with library file searches by Len Samowitz of the Federal Deposit Insurance Corp. and Lou Leventhal of the *American Banker.*

Another question: How many convicted bankers served their full sentence? The answer, of course, is none. We all know that. Time off for good behavior and a change of heart by the sentencing judge almost always reduce the sentence.

Two flagrant examples. A prominent banker who stole millions was sentenced to five years in prison but stayed out on appeal for more than 10 years and finally served only eight months in a cushy outdoor job at a country club prison. A banker's son, given a 20-year sentence for securities fraud in 1982, already is out on the street.

The odds are that if you mismanage a megabank into the ground you won't go to jail and you won't pay for restitution. The stockholders take care of that for you. For it is the stockholders who pay for the directors' and officers' liability policies, which in turn pay for the mismanagement liabilities that often run into millions of dollars.

(Space is much too limited to go into the proliferation of savings and loan crooks who have had a wonderful time during these carefree deregulation years.)

Bad Management and Fraud

Comptroller Robert L. Clarke recently released a study showing that inept management has been the primary cause of bank failures, and that fraud often was a tool used by bad managers. FDIC Chairman L. William Seidman has testified that fraud was involved in at least one-third of all bank failures in 1986, 1987 and 1988.

With hundreds of bank failures in the past two decades and fraud a major cause, why the shortage of jail sentences? I guess the answer is threefold:

1. The Justice Department is asleep, or inept, or underfinanced. (The *American Banker* on July 28 reported an epidemic of bank fraud in the central district of California at the same time the major fraud division staffing there was cut more than 30%. Blame Ronald Reagan, Edwin Meese, James C. Miller.)

2. Bank fraud is one of the most difficult crimes to prove to the satisfaction of a jury.

3. White collar crime pays.

This treatise was prompted by the guilty pleas of William Patterson of Penn Square Bank and John Lytle of Continental Illinois National Bank and Trust Company of Chicago, representatives of the two most flamboyant bank failures in history. Mr. Patterson and Mr. Lytle are to be sentenced Aug. 30. (I count Continental Illinois as a bank failure because it was. The FDIC annual report for 1987 continues the myth that it was not a failure by omitting it from the list of the 10 largest failures in history.)

The Patterson and Lytle cases are classic examples of how not to provide quick retribution and prompt justice. The guilty pleas came six years to the day after Penn Square failed.

The surfacing of the story after six years brought back memories of that Fourth of July weekend as we spent three long days in Paul A. Volcker's cramped office deciding what to do about Penn Square.

Recent accounts attempt to rewrite the history of that weekend. I guess I should set the record straight. Comptroller Todd Conover was concerned, correctly, that if he closed Penn Square and we paid it off there would be multiple, unknown fallout, probably including fatal damage to Seattle-First National Bank, Continental Illinois, and

Comment: Page 13 ➡

With hundreds of bank failures in the past two decades and fraud a major cause, why the shortage of jail sentences?

— Irvine Sprague
Former Chairman and Director
Federal Deposit Insurance Corp.

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He is the author of the 1986 book, "Bailout: An Insider's Account of Bank Failures and Rescues."

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

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Subscription Rates: U.S. $525.00, Canada $775.00.
Canada Air Mail and Foreign $1090.00. Single copy $3.45
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Published daily except Saturday, Sunday and holidays.
Second Class Postage Paid at New York, N.Y. and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

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In New York - (212) 943-9589 Collect.

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THRIFT OBSERVER

Banks, Thrifts Gain Ground in Mortgage Business

By STUART A. FELDSTEIN

THE roster of top players in U.S. mortgage origination is changing very quickly. And many of the changes favor banks and thrifts versus their mortgage banking competitors.

It's now clear that 1987 was the year that the depository institutions gained ground in the mortgage business. And 1988 will be the year that some of the bigger banks and thrifts try to solidify or expand their market share gains in first mortgage origination.

Stuart A. Feldstein

In "Giants of the Mortgage Industry: 1988," just published by SMR Research, we found that the top 25 U.S. mortgage loan originators in 1987 included 12 depository institutions, 10 mortgage bankers, and 4 companies that split their originations fairly evenly between bank and thrift or mortgage banking distribution methods.

Of the 12 big depository institution mortgage lenders, all but three showed significant gains in their 1987 originations over 1986. Of the 10 biggest mortgage banking originators in 1987, only three showed gains: Countrywide Credit, Weyerhaeuser Mortgage, and Primerica (parent of Margaretten & Co.).

In 1986, the top 25 originators were configured in exactly the opposite way. They included 12 mortgage bankers, 10 depository institutions, and, again, 4 of the multiform kinds of companies.

Three companies that do business mainly as mortgage bankers and that had made the top 25 list in 1986 fell off that list in 1987. They were First Union Corp. (which owns First Union Mortgage), Lomas & Nettleton, and Fireman's Fund. At the same time, Shawmut Corp., the Boston-based bank, and Home Federal Savings & Loan of California made the list for the first time.

Acquisitions Add to Mortgage Lending Growth

One reason for the new mortgage lending power of the banks and thrifts is that they continue to make acquisitions. Shawmut, for example, made the list because of its recent acquisition of Hartford National. Big California thrifts such as H.F. Ahmanson and Great Western continue to make acquisitions, too.

In addition, the banks and thrifts are taking advantage of their ability to sell adjustable rate mortgages, or ARMs, in a rising interest rate environment. Mortgage bankers have a harder time doing so.

Mortgage bankers sell all their loans, and secondary markets for ARMs are not as well developed as for fixed-rate mortgages. Also, since most ARMs currently have "teaser" period rate discounts, mortgage bankers find they have to hold these loans for uncomfortably long periods before they can be sold at a good price.

In 1988, many of the largest banks and thrifts have their sights set on continued penetration of the mortgage market.

We think that Ahmanson, the San Francisco-based parent of Home Savings of America, may rise to challenge Citicorp as the largest retail originator of mortgages. Not far behind will be two other thrifts: Great Western and First Nationwide, the Ford Motor Co. subsidiary.

If anything, commercial banks are showing even greater interest in growth. In New York, almost all of Citicorp's main rivals are working on their own versions of Mortgage Power, the system in which Citicorp obtains loan referrals from realty and mortgage brokers. Mortgage originations by some of these rivals, such as Chase Manhattan, already are rising quickly.

Money Centers Move Aggressively

On the West Coast, Security Pacific has formed a new mortgage company and has been aggressively pricing ARMs. Wells Fargo's 1987 originations were up an astonishing 64% from 1986. BankAmerica has revamped and revitalized its mortgage lending efforts and has introduced a commissioned mortgage sales force. And in the Midwest, First Chicago has made an acquisition that doubles its origination capability, even though it still will be only a medium-size player.

How long the money center banks will pursue growth strategies in mortgage lending is an open question. They also are under pressure to build capital, and that may require divestitures of nonbank subsidiaries. Commercial banks in this decade have sometimes shown a tendency to build up a mortgage operation, sell it, and build another.

Nevertheless, at least for the time being, the banks and thrifts are making major inroads among the top tier of mortgage players. If the bigger depository institutions continue to make acquisitions — which certainly seems likely — they may permanently take more of the top spots among the mortgage industry's origination leaders. ■

Mr. Feldstein is president of SMR Research, Budd Lake, N.J.

THRIFTS & MORTGAGES

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

When times are terrific, people step up to the plate to pay more money.

— Erwin I. Katz, president and chief executive of Williams Securities Group, on thrift mergers and acquisitions.

Newswatch

2 Mortgage Firms Cut Staff

Two more mortgage companies are cutting back their staffs and branches as consumer demand continues to sag.

Chase Home Mortgage Corp., Tampa, Fla., is planning to lay off up to 70 employees, or 7% of its staff, by Oct. 15, said president Fred Koons. He added that an additional 70 people will be shifted to other units of parent Chase Manhattan Corp.

Meanwhile, Shearson Lehman Hutton Mortgage Corp., Irvine, Calif., has closed five branches in the past two weeks and laid off 40 people, or 6% of the staff, said senior executive vice president Graham Williams.

Mr. Williams also acknowledged that the firm's executive vice president in charge of loan production, Michael Fernandez, had resigned. He said, however, that the resignation was unrelated to the branch closings.

Shearson and Chase are but the latest in a series of mortgage companies to retrench in the face of dwindling consumer demand. Market analysts say originations by all lenders this year will fall at least $100 billion from the near-record $450 billion posted in 1987.

Borrower demand has been hurt by rising interest rates — and the July 9 half-point hike in the discount rate is likely to make matters worse.

"It portends at least a one-quarter-point rise in mortgage rates over the next 30 days," said Thomas LaMalfa, mortgage market analyst at North American Mortgage Co., Houston. "Branch closings are to be expected through the balance of the year," Mr. LaMalfa added.

Shearson's Mr. Williams said the five branches his company closed recently were in California, South Carolina, and Oregon.

At Chase Home Mortgage, formerly based in Montvale, N.J., a total of 13 branches in Florida and the Midwest will be closed or merged with other Chase operations, Mr. Koons said.

He added, however, that the company is markedly boosting its wholesale origination of mortgages. And a spokesman for Chase Manhattan said the corporation's total originations this year should still exceed the $3.5 billion of last year.

Pacific First Targets Air Force

Pacific First Mortgage Company, Walnut Creek, Calif., has teamed up with RE/MAX International, the Denver-based realty concern, in a bid to win relocation business from members of the U.S. Air Force. The push apparently marks the first time a mortgage lender has targeted the armed services, and it underscores industrywide efforts to identify new sources of originations.

Developed with Air Force officials, the unusual program will extend reduced mortgage and realty fees to Air Force members on the move. Pacific First, a unit of Tacoma, Wash.-based Pacific First Federal Savings Bank, sees the plan as a focused way to enter the relocation market, said vice president Michael Rosser.

Wye Tries New Twist on ARM

Wye Mortgage Co., Lutherville, Md., has begun originating a new type of adjustable-rate mortgage that adjusts annually for the first five years, then at only five-year intervals.

The so-called 1/5 ARM is meant to offer borrowers the stability of an intermediate-term ARM with the low initial interest rate of a one-year instrument. A Wye official said the firm already has lined up one buyer in the secondary market and is looking for more.

— Phil Roosevelt

Thrift Mergers Increase in Number

But Average Price Has Fallen, Survey Finds

By LINDA ELLIS

NEW YORK

THE volume of thrift acquisition deals is growing, but the size of the deals is not, according to a study of thrift mergers and acquisitions between January 1983 and June 1988.

SNL Securities, Hoboken, N.J., a bank and thrift consulting and research firm, studied 52 acquisitions of publicly traded thrifts by looking at regulatory and company data. Among their findings:

- Only three of the 41 deals completed in the last three years have been in excess of $150 million in total value.
- Merrill Lynch & Co. leads the pack of investment advisers on the thrift deals.
- There are limited sources of new capital, with little evidence of increased entry of nonfinancial firms into the thrift industry.
- Consolidation is occurring primarily intrastate. Less than 25% of all acquisitions in the past three years have been interstate.
- The median time between the announcement of a pending merger and the closing of the deal has grown from 171 days in 1985 to 255 days in July 1988. The major delay is the regulatory process.
- The merger and acquisition focus has shifted from Florida to New England.
- Cash has become the most common form of deal currency.

One reason the average deal price has fallen, said the SNL researchers, is that many small institutions have converted over the past few years, shrinking the average size of publicly traded thrifts. In addition, there is a dearth of buyers large enough to digest institutions with more than $1 billion in assets. The largest deal done in 1986 had a market capitalization of $422 million; the largest in 1988 to date was $137 million.

Another finding, SNL researchers said, could be called "Waiting for Godot: Closing a Thrift Acquisition." While the 255-day median waiting period includes the time it takes the thrifts to prepare regulatory applications, most of the time is taken up with regulatory processing.

In the past, potential acquirers of troubled thrifts have complained about the length of time it takes for regulators to evaluate and act on their proposals.

"There are a number of tax and accounting aspects to these transactions that take time and make them particularly complicated," said John Adams, a First Boston Co. vice president in charge of thrift mergers and acquisitions. "Eight to nine months sounds about right, but other regulated businesses face the same thing."

The Federal Home Loan Bank of San Francisco said it is trying to speed up the mergers and acquisitions process under powers delegated by the Federal Home Loan Bank Board. Michael Patriarca, director of the agency group at the Home Loan bank, said one thrift, Stanford Savings and Loan Association, Palo Alto,

Thrift Mergers: Page 10 ➡

Biggest Dealmakers In Thrift Mergers

Number of merger deals for publicly held thrifts, January 1983-June 1988

Investment Adviser to Acquired Thrift	
Merrill Lynch[1]	10
First Boston[3]	6
Shearson Lehman Hutton[2]	6
Williams Securities	4
Goldman Sachs	3
Paine Webber	3

Investment Adviser to Acquirer	
Shearson Lehman Hutton[2]	6
Drexel Burnham	4
First Boston[3]	3
Merrill Lynch[1]	3
Salomon Brothers	3

Total	
Merrill Lynch[1]	13
Shearson Lehman Hutton[2]	12
First Boston[3]	9
Drexel Burnham Lambert	6
Paine Webber	5

[1] Includes deals by Warburg Paribus Becker
[2] Includes deals by E.F. Hutton, Robinson-Humphrey, and Lehman Brothers
[3] Includes deals by Kaplan Smith
Note: Information for this table was compiled from the merger proxies of acquired companies. This list does not include merger conversions or private deals. Information was also sent to investment banking firms for verification.

Source: SNL Securities Thrift Datasource

Cashing In on Home Buyers' Special Needs

By A. JOSEPH NEWMAN JR.

PHILADELPHIA

IF you are in real estate brokerage today, you are being squeezed by the rising cost of doing business and the erosion of commission income that stems from flat fees and the need to give a bigger share of commissions to salespeople.

So you may be looking for new and different ways to make money, such as offering your home buyer customers the more traditional title and property insurance and mortgage-banking services through third-party providers.

Quaker Financial Corp., headed by Harold H. Kline, a former Philadelphia banker, has come up with another way of adding revenues in residential real estate — packaging short-term and home equity loans.

Quaker Financial, Paoli, Pa., is an affiliate of Hoopes Inc., also of Paoli, a member of the Better Homes & Gardens network. It has 15 offices and more than 500 salespeople in upscale Philadelphia suburbs. Mr. Kline was president and chief operating officer of Liberty Savings Bank here before it was acquired last year by Equimark Corp., Pittsburgh.

Quaker Financial is marketing Homebuyers' Helper loans for Hoopes customers who might have trouble raising quick cash — for mortgage application and rate lock-up fees or for the down payment on the purchase price of a house within 10 days after an offer is accepted. Hoopes prospects may also need immediate cash to paint, paper, and otherwise spruce up houses before putting them on the market.

Homebuyers' Helper loans, according to Mr. Kline of Quaker Financial, are averaging around $45,000, with a range of $25,000 to $150,000.

Buyers may also need swing, or bridge, loans until their own home is sold. Quaker's financial service people can help on that too, and home equity credit can also be arranged via Quaker.

Quaker's financial service people are "in residence" at all Hoopes offices. Mr. Kline likes to have prospective home buyers visit with them "early on" so Quaker, working with real estate agents, can spell out how much cash they might need and how soon.

Since so many of them are two-worker families, would-be home

Quaker: Page 10 ➡

Jim McTague's Washington Briefing in the Thrifts & Mortgages section will resume next week. Mr. McTague is on vacation.

DAILY FINANCIALS

Thursday August 11, 1988

Money Market

Federal funds range-Domestic 7 11/16-7 13/16%
Prime rate (8/11/88) 9.50-10.00%
Discount rate FRB of New York (8/9/88) 6.50%

Call loans on securities, to brokers on stock exchange collateral (8/11/88) 9⅛%

Bankers acceptances offering rate, discount (8/11)
30 days: 8.00 60 days: 8.10 90 days: 8.20
120 days: 8.23 150 days: 8.35 180 days: 8.32

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (8/11)
14 days: 7.45 30 days: 7.80 60 days: 8.00
90 days: 8.05 120 days: 8.15 150 days: 8.35
180 days: 8.40 270 days: 8.45 360 days: 8.60

Commercial paper, dealer Aaa, discount (8/11)
30 days: N.A. 60 days: N.A. 90 days: N.A.

Commercial paper, directly placed, discount (8/11)
5-14 days: 7.50-8.00 15-29 days: 7.50-8.05
30-59 days: 7.50-8.10 60-89 days: 7.50-8.05
90-179 days: 7.50-8.10 180-270 days: 7.50-8.05

Treasury-bill rates, secondary market, bid (8/11)
90 days: 7.03 180 days: 7.44 1 year: 7.65

Eurodollar deposits, London bid (8/11)
Overnight: 8.00 7 days: 8 1/16 1 month: 8¼
3 mos.: 8 9/16 6 mos.: 8⅞ 1 year: 9 1/16

NIBOR: 9.00 **LIBOR:** 9.00

The Bond Buyer Municipal Bond Index

	8/11/88	8/10/88	8/4/88
Index	88.18	89.10	89.26
Yield to Par Call	8.28	8.17	8.10
Yield to Maturity	8.13	8.05	8.00

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Sept. '88	92.69	92.65	92.69	- 2	7.31
Dec. '88	92.37	92.33	92.23	- 7	7.66
Mar. '89	92.33	92.30	92.31	- 6	7.69
Jun. '89	92.27	92.24	92.25	- 5	7.75
Sept. '89	92.18	92.17	92.17	- 5	7.83
Dec. '89	.....	.....	92.08	- 5	7.92
Mar. '90	.....	.....	92.02	- 5	7.98
Jun. '90	.....	.....	91.98	- 5	8.02

As of the previous day's close; Total no. of contracts traded: 9,996 total open interest: 22,529 and change in open interest: —501

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a-Change from previous day's settlement price in basis points. b-100.00 minus settlement price. IMM-Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r-New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Aug. 11:	289.1	1988:	301.1	227.7	289.1
Aug. 10:	294.5	1987:	401.7	212.0	234.6
Aug. 9:	295.1	1986:	388.7	331.2	331.3
Aug. 8:	301.1	1985:	344.2	242.7	344.2
Aug. 5:	299.7	1984:	269.6	178.4	246.3

* Based on midday prices.

Thrift Mergers Rise in Number but Not Price

Continued from Page 6

Calif., was sold to America First Financial Corp. in about two months.

The difficulties gripping the Federal Savings and Loan Insurance Corp. probably have some overall dampening effect on companies that are at the margin about acquiring a thrift, said Erwin I. Katz, president and chief executive of William Securities Group, Tampa, Fla., a regional investment banking firm that does a lot of thrift mergers and acquisitions work.

"Potential acquirers of thrifts, because of their concern over what the industry may have to do to help solve the FSLIC's problems, may in fact look a lot closer at what they are considering acquiring," Mr. Katz said. "They will look at asset quality, at management, and be tougher on the negotiating price. Sure, FSLIC has an effect, because when times are terrific, people step up to the plate to pay more money."

Cash, said SNL, is king in merger and acquisition deals. Except in 1987, when cash was a currency in 54% of the transactions, cash has been used in two-thirds or more of all transactions occurring annually since 1983.

While Florida and other southeastern states used to be the center of merger activity, lofty prices and tough competition in the overbanked regions have discouraged potential buyers, SNL found. The focus has shifted to New England and, to a lesser extent, the Pacific Northwest. The activity in New England is due to the excess capital levels of many thrifts in the region. The average capital ratio among all publicly traded thrifts is 8.05%; in New England, it is 9.85%, attributable to their generally healthy condition and the high levels of capital raised during conversions.

The trend toward intrastate mergers and acquisitions may change over time, SNL researchers said, as more states adopt less stringent interstate banking legislation.

Most of the acquisitions in the study were moves to consolidate operations, improve efficiency, and gain market share.

Declining deal prices are partly a function of the stock market crash last October, the researchers state, but they are also a reflection of the declining perception of the value of a thrift institution's franchise.

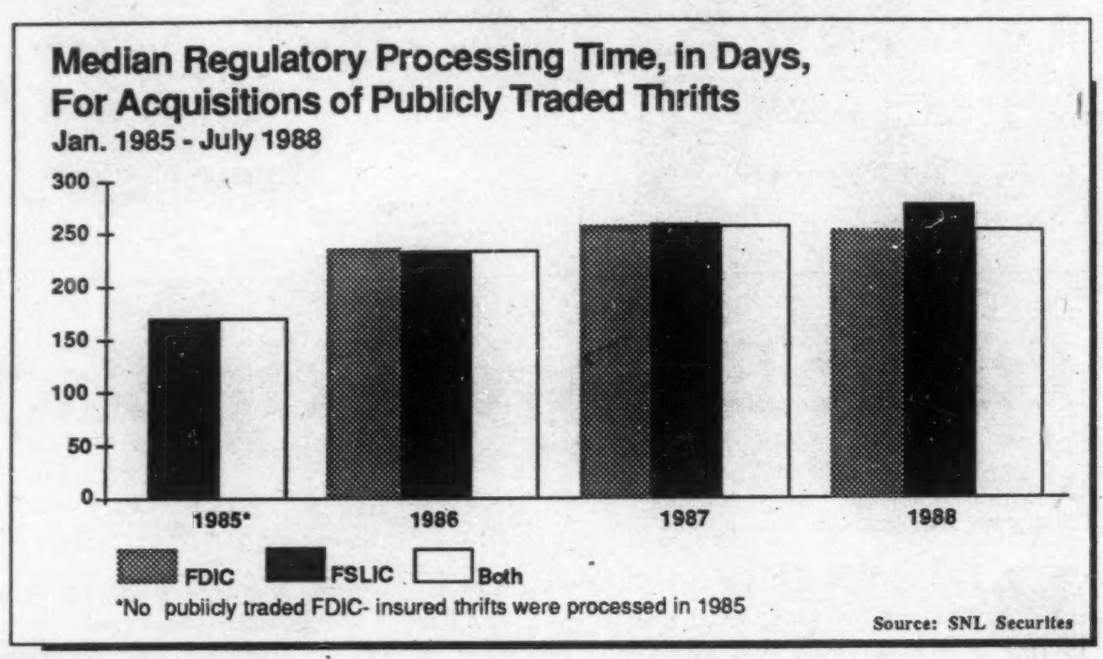
While the survey found that outside capital has not poured into the thrift industry since January 1983, Paul Haklisch, a managing director of Merrill Lynch Capital Markets, said he expects the mergers and acquisitions market for thrifts to broaden in the future.

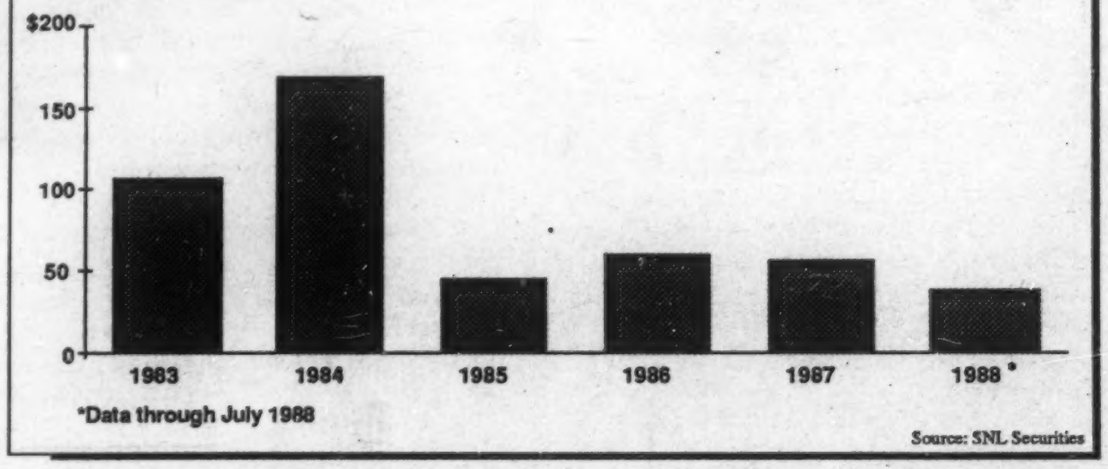
"There will continue to be significant activity in the thrift sector," the head of Merrill's financial institutions M&A group said. "Industrial companies and commercial banks in particular would be expected to be active acquirers of thrifts.

"For certain commercial banks, thrifts provide a cost-effective means of expanding," Mr. Haklisch said. "A bank can capture the customer base and branch network of a thrift and incorporate its own product lines, ending up with an expanded franchise at a price below that which it would otherwise have to pay for a commercial bank branch network."

Chris Foskett of Goldman, Sachs & Co., said thrift mergers will grow "especially as outsiders come into the thrift industry and view it as undervalued."

"And as regulatory barriers fall," said Mr. Foskett, who handles mortgage banking and thrift-related mergers, "commercial banks and thrifts will consolidate on an increasing basis." ■





Quaker Financial Taps Home Buying Market

Continued from Page 6

buyers are often as short of time as they are of liquidity, he said. At Hoopes' real estate offices, they can apply for credit — if they need it — right on the premises.

People "want the convenience of one-stop shopping for houses and for financial services," Mr. Kline said. "They don't need more hassle at what can be a stressful time anyhow."

The third-party provider of Quaker's packaged short-term and home equity loans is the $1.1 billion-asset Home Unity Savings Bank in Lafayette Hill, Pa., a Philadelphia suburb.

For Home Unity, the year-old deal with Quaker means additional assets and deposits — loans are accessed via Home Unity checks dispensed by Quaker Financial — without costly marketing and other acquisition expenses. The thrift may also wind up with new first mortgages, although Hoopes brokers continue to do business with other lenders.

Quaker Financial shares Home Unity's loan origination fees.

CLS Corp., Blue Bell, Pa., also has a piece of the action. CLS — for consumer loan service — provides banks and thrifts with a full-service back office to handle consumer lending from application to collection, and the accounting paperwork in between.

In this case, CLS earns fees from Home Unity for processing, evaluating, and tracking the loan applications collected at Hoopes offices by Quaker Financial. Home Unity has the final say on loans.

CLS is headed by Norman R. Bitterman, a former senior vice president of the PSFS unit of Meritor Financial Group. He and other principals own a third of CLS. Advanta Corp., Horsham, Pa., parent of Colonial National Bank, Wilmington, Del., owns a third, and private investors own a third. ■

Union Planters to Acquire Bank

MEMPHIS — Officials of Union Planters National Bank, Memphis, announced that a definitive agreement had been reached to acquire the Pickett County Bank and Trust, Byrdstown, Tenn. Founded in 1904, Pickett County has approximately $28 million in assets and shareholders' equity of $2.5 million. Union Planters will purchase 100% of Pickett County's privately held stock. ■

Irving Trust Named ADR Agent

NEW YORK — Irving Trust Co. said it has been appointed depositary bank for Paragon Resources' American depositary receipts, or ADRs, which are traded in the over-the-counter market.

Paragon Resources NL, based in Perth, Australia, develops and operates gold mines and conducts exploration ventures in Australia and abroad.

American depositary receipts represent shares of a foreign company's stock held by a depositary bank. ■

July 15, 1988

Atlas Capital Corporation

has been acquired by

New Atlas, Inc.
(newly formed by a private investor group)

We initiated this transaction and acted as financial advisor to Atlas Capital Corporation.

PaineWebber Incorporated